Modern American Journal of Social Sciences and Humanities
ISSN (E): 3067-8153
Volume 2, Issue 5, May, 2026
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PRIVATIZATION OF STATE PROPERTY AS A CIVIL-LAW MECHANISM: LEGAL NATURE, METHODS AND PROBLEMS (THE CASE OF UZBEKISTAN)

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Abstract

The article examines privatization as the principal civil-law mechanism for transferring state property into private ownership, on the basis of the 2024 Law of Uzbekistan "On Privatization of State Property" (No. ZRU-907). It analyses the dual legal nature of privatization — a public-law procedure culminating in a private-law sale-purchase transaction — the eight statutory methods of privatization, the sale-purchase agreement (concluded between the State Assets Management Agency as seller, the buyer and the asset holder), the buyer's investment and social obligations, and the transfer and state registration of ownership, including the "without the right of disposal" restriction. The study identifies civil-law problems — the public/private boundary, the restriction on the buyer's ownership, breach and reversal, invalidity of transactions, and transparency — and proposes directions for their resolution, taking into account the category of non-privatizable assets defined by Law No. ZRU-821.

Keywords: State property, privatization, sale-purchase agreement, civil-law transaction, State Assets Management Agency, transfer of ownership, investment obligations, transparency.

Annotatsiya

Maqolada davlat mulkini xususiy mulkka o'tkazishning asosiy fuqarolik-huquqiy mexanizmi — xususiylashtirish 2024-yilgi "Davlat mulkini xususiylashtirish to'g'risida"gi qonun (ZRU-907) asosida tahlil qilinadi. Xususiylashtirishning

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ikkiyoqlama huquqiy tabiati (ommaviy-huquqiy tartibot va uning yakuni bo'lgan fuqarolik-huquqiy oldi-sotdi bitimi), sakkizta xususiylashtirish usuli, oldi-sotdi shartnomasi (Davlat aktivlarini boshqarish agentligi, xaridor va mol-mulk egasi o'rtasida), xaridorning investitsiya va ijtimoiy majburiyatlari hamda mulk huquqining o'tishi va davlat ro'yxatidan o'tkazilishi ko'rib chiqiladi. Tadqiqotda ommaviy va xususiy huquq chegarasi, xaridor mulk huquqining cheklanishi, bitimning bekor qilinishi va haqiqiy emasligi hamda shaffoflik bilan bog'liq muammolar aniqlanadi.

Kalit so'zlar: davlat mulki, xususiylashtirish, oldi-sotdi shartnomasi, fuqarolik-huquqiy bitim, Davlat aktivlarini boshqarish agentligi, mulk huquqining o'tishi, investitsiya majburiyatlari, shaffoflik.

Аннотация
В статье рассматривается приватизация как основной гражданско-правовой механизм передачи государственного имущества в частную собственность на основе Закона 2024 года "О приватизации государственного имущества" (№ ZRU-907). Анализируются двойственная правовая природа приватизации, восемь способов приватизации, договор купли-продажи и переход права собственности.

Ключевые слова: государственная собственность, приватизация, договор купли-продажи, гражданско-правовая сделка, переход права собственности, прозрачность.

1. Introduction

Privatization is the principal civil-law mechanism by which state property is transferred into private ownership. Among the various forms of disposing of state property, it is the most far-reaching, because it does not merely delegate management but changes the owner. For this reason privatization stands at the intersection of public and private law: it serves public objectives — reducing the state's footprint in the economy and attracting investment — yet it is realised through a private-law transaction, the sale-purchase agreement.

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In Uzbekistan, privatization has become a central instrument of economic reform. In line with the "Uzbekistan – 2030" strategy and the strategy for the reform of enterprises with state participation, the state has placed hundreds of enterprises on privatization lists and, between 2021 and 2024, sold state assets worth several billion United States dollars. The legal framework was consolidated and modernised by the Law "On Privatization of State Property" (No. ZRU-907 of 14 February 2024, in force from 16 May 2024), which replaced fragmented earlier rules, introduced eight modern methods of privatization and emphasised openness, accountability and equal competition [3].
The scale of this process is significant. Hundreds of enterprises across construction, energy, finance, transport and other sectors have been placed on privatization lists, and the initial and secondary public offering of shares in a number of large enterprises has been launched on the local stock market [6; 7]. As privatization expands, the quality of its legal regulation — and in particular of the civil-law transaction at its centre — becomes decisive both for the protection of public assets and for the confidence of investors.
From a civil-law perspective, the privatization transaction has a dual character. It begins as a public-law procedure — the formation of a privatization programme, the valuation of the asset, the choice of method and the selection of the buyer — but it culminates in a private-law transaction: the sale-purchase agreement that transfers ownership from the state to the buyer. The agreement is therefore the civil-law core of the whole process, and it determines the rights and obligations of the parties as well as the moment and conditions of the transfer of ownership.
The mechanism is also bounded. Not all state property may be privatized: the Law "On the Management of State Property" (No. ZRU-821 of 9 March 2023) defines a category of assets that cannot be sold or otherwise privatized, thereby protecting a strategic core of public property [4]. Privatization thus operates within limits set by public-law considerations even as it relies on private-law instruments.

The aim of the article is to analyse the legal nature of privatization, its methods and the sale-purchase agreement under the 2024 Law, and to identify the principal civil-law problems and directions for their resolution. The novelty of the study

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lies in treating privatization specifically as a civil-law transaction — rather than merely an economic policy — and in linking it to the broader system of state property management instruments.

2. Methodology

The study employs the formal-legal (doctrinal) method to analyse the relevant legislation — the Civil Code, the 2024 Law on Privatization and the Law on the Management of State Property — and the systemic method to situate privatization within the wider system of state property management. The comparative method is used selectively to interpret particular institutions, such as the sale-purchase agreement and the transfer of ownership, against the background of the continental civil-law tradition.

The source base comprises the Constitution and the Civil Code of Uzbekistan [1; 2], the 2024 Law on Privatization and related acts [3; 4; 5; 6; 7], the corporate-governance standards of the OECD [8], and Russian and Uzbek legal scholarship [9; 10; 11].

3. Results

3.1. The legal nature of privatization

Privatization may be defined as a special civil-law sale-purchase of state property, framed by a public-law procedure. Its civil-law essence lies in the transfer of ownership for a price; its public-law dimension lies in the rules that govern how the seller is identified, how the asset is valued, how the buyer is selected and how transparency and equal competition are ensured. The State Assets Management Agency (SAMA) acts as the seller on behalf of the state, signs the sale-purchase agreement and exercises the powers of an owner for the purpose of the transaction [3]. The principal stages of the process are shown in Fig. 1.

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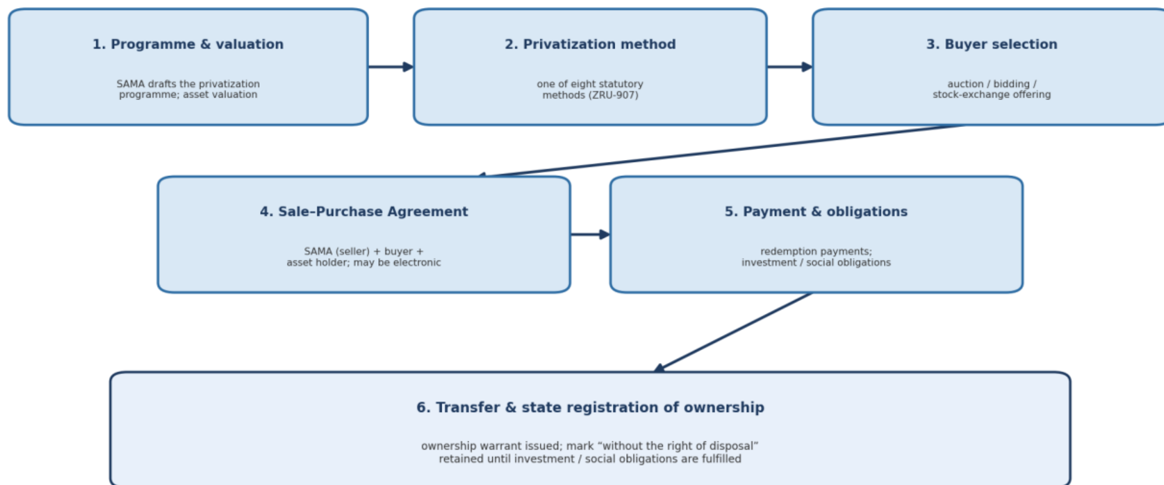

Fig. 1. The privatization of state property as a civil-law transaction (Law ZRU-907).

3.2. Methods of privatization

Because privatization is a special type of sale, the general rules of the Civil Code — on the contract of sale-purchase, on the transfer and state registration of ownership, and on the invalidity of transactions — apply to it in so far as the special privatization legislation does not provide otherwise. Privatization law thus operates as lex specialis against the background of the general civil law, and the two must be read together [2; 3].

The 2024 Law establishes eight methods of privatization, several of which are new compared with the previous regime. They include electronic online auctions, sales through the stock exchange, public invitations to negotiations with the involvement of professional consultants, sales on the basis of a competitive dialogue, and the lease of enterprises with a condition of their subsequent sale, alongside traditional auctions and competitive bidding [3]. The choice of method determines how the buyer is selected and how the contract is concluded; the principal methods are summarised in Table 1.

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Table 1. Principal methods of privatization under Law No. ZRU-907

Method	Brief description
Electronic online auction	Open online bidding; the asset is sold to the highest bidder
Stock-exchange offering (IPO/SPO)	Sale of shares of enterprises with state participation on the stock exchange
Auction	Sale to the bidder offering the highest price
Competitive bidding (tender)	Sale where certain conditions are imposed on the buyer
Public invitation to negotiations	Negotiated sale conducted with the involvement of professional consultants
Competitive dialogue	Structured dialogue with qualified bidders preceding the sale
Lease with subsequent sale	Lease of an enterprise on the condition of its later purchase

3.3. The sale-purchase agreement and the transfer of ownership

The sale-purchase agreement is the central legal fact of privatization. For state real estate it is concluded with the participation of the Agency (or its territorial offices) as seller, the buyer, and the asset holder, and it may be executed in electronic form. In addition to the price, the agreement may impose investment and social obligations on the buyer — for instance, to make investments, to maintain the facility and to preserve objects of civil-protection or social significance.

The price is determined on the basis of an independent valuation and the chosen method of sale, and the law permits payment in instalments in defined cases. A distinctive feature of the Uzbek model is the participation of the asset holder — the enterprise or body on whose balance the property is recorded — alongside the Agency and the buyer; this reflects the multi-layered structure of state ownership examined in related studies and is intended to ensure the orderly handover of the asset.

The transfer of ownership is subject to state registration. Where state real estate is sold subject to investment or social obligations, the buyer receives an ownership warrant bearing the mark “without the right of disposal”, which remains in force until those obligations are fully performed [3]. In substance, this

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is a temporary restriction on the new owner's power of disposal — an encumbrance that secures the public interest until the buyer has fulfilled the conditions of the privatization.

If the buyer fails to perform its obligations, the Agency sends a written demand; the parties may resort to mediation, and disputes are subject to a statutory limitation period. In appropriate cases the agreement may be terminated and the asset returned to the state, which makes the proper definition of the grounds and consequences of such reversal a matter of considerable practical importance.

3.4. Non-privatizable assets

The privatization mechanism is bounded by the category of non-privatizable assets. The Law on the Management of State Property lists assets that cannot be sold or otherwise privatized — typically objects of strategic, defence or social importance, and resources reserved to the state [4]. This protected core complements privatization: while commercial assets are transferred to private owners, strategic assets remain in state ownership and outside the reach of the sale-purchase mechanism.

In addition, the law reserves certain objects to particular categories of acquirers. Land plots, for example, may be privatized only by citizens and legal entities of Uzbekistan and not by foreign persons. Such restrictions delimit not only which assets may be privatized but also who may acquire them, and they form an integral part of the privatization regime [4].

4. Discussion

The first problem concerns the dual legal nature of privatization. Because the process combines a public-law procedure with a private-law transaction, it is not always clear where the one ends and the other begins, nor which body of rules governs a given dispute — administrative-procedural rules or the civil law of contract. Clarifying this boundary is important both for the validity of transactions and for the resolution of disputes.

The second problem is the "without the right of disposal" restriction. While it usefully secures the buyer's investment and social obligations, it also produces a form of conditional or encumbered ownership: the buyer is the owner, yet cannot

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freely dispose of the asset until the obligations are met. This creates uncertainty for the buyer and for third parties dealing with the asset, and calls for clear rules on the duration, registration and removal of the restriction.

The third problem concerns breach and reversal. If the buyer does not perform, the state may seek to reclaim the asset; but the asset may by then have been transferred to, or encumbered in favour of, third parties. The law must therefore balance the enforcement of the buyer's obligations against the security of transactions and the protection of good-faith third parties, by defining precisely the grounds, procedure and limits of termination and reversal.

The fourth problem is the invalidity of privatization transactions. Where a sale is concluded in violation of the statutory procedure — for example, in breach of the rules on competition or valuation — it may be challenged and declared void, with restitution as a consequence. This protects the public interest but exposes buyers to the risk of losing assets they believed they had lawfully acquired; the grounds and consequences of invalidity, and the protection of good-faith buyers, therefore require precise regulation.

A further dimension concerns privatization through the offering of shares. Where the object is an enterprise with state participation, privatization is increasingly carried out not by selling a property complex but by offering state-held shares on the stock exchange. This route brings privatization close to corporate and securities law: the transaction is the sale of securities, and the protection of minority and incoming shareholders becomes part of the analysis. The legal regime should therefore coordinate the privatization rules with company and securities legislation.

Finally, transparency is a precondition for the legitimacy of privatization. Investors have in the past noted opacity at the final stages of bidding, where the outcome could be affected by direct negotiation. The 2024 Law's emphasis on electronic procedures, openness and equal competition directly addresses this concern, and its consistent application is essential for investor confidence and for the integrity of the transfer of public assets. The principal problems and recommendations are summarised in Table 2.

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Table 2. Civil-law problems of privatization and recommendations

Problem	Essence	Recommendation
Dual legal nature	The boundary between the public-law procedure and the private-law transaction is not always clear	Clarify which rules govern each stage and the resolution of disputes
"Without the right of disposal" restriction	The buyer's ownership is limited until obligations are met; uncertainty for third parties	Clear rules on the duration, registration and removal of the restriction
Breach and reversal	Conditions for reclaiming the asset and protecting good-faith parties are unclear	Define the grounds, procedure and limits of termination / reversal
Invalidity of transactions	Procedural violations may render the sale void, creating risk for buyers	Precise grounds and consequences of invalidity; protection of good-faith buyers
Transparency	Past opacity at the final stages of bidding undermined investor confidence	Maintain transparent, electronic procedures and equal competition (ZRU-907)

5. Conclusion

Privatization is best understood as a special civil-law sale-purchase of state property, framed by a public-law procedure and realised through a sale-purchase agreement between the State Assets Management Agency, the buyer and the asset holder. The 2024 Law on Privatization has consolidated and modernised this mechanism, introducing eight methods, emphasising transparency, and providing for investment and social obligations secured by the "without the right of disposal" restriction.

At the same time, the mechanism raises civil-law problems — the public/private boundary, the restriction on the buyer's ownership, breach and reversal, the invalidity of transactions, and transparency. Their resolution calls for clarifying the rules governing each stage and disputes, defining the duration and removal of

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the disposal restriction, regulating the grounds and limits of termination and invalidity while protecting good-faith buyers, and consistently applying transparent procedures. Within the limits set by the category of non-privatizable assets, such measures would strengthen privatization as a reliable civil-law mechanism for managing and transferring state property.

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